

Exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 may be granted to an organization which is organized and operated for the purpose of teaching a particular sport to children by holding clinics conducted by qualified instructors in schools, playgrounds, and parks, and by providing free instruction, equipment, and facilities.

Advice has been requested whether a foundation, which is organized and operated exclusively for the purpose of teaching a particular sport to the children of a community by providing free instruction, free equipment, and facilities for playing the game, qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The foundation was formed to provide educational and character building programs for the children of the community. Its activities consist of conducting clinics for student players in elementary and high schools, at playgrounds, and at parks, under the guidance of qualified instructors. It also holds coaching clinics for instructors of the student players.

It provides free instruction in schools, playgrounds, and parks and furnishes free equipment to those children who are unable to afford such equipment. It also stimulates interest in its program through the use of film and other instructional devices. The organization encourages youth participation in tournaments; arranges for attendance of players and instructors at state tournaments; and encourages good sportsmanship. Its program and facilities are available to any child in the community who desires to participate, is physically able, and has reached the qualifying age level.

Funds of the organization are derived entirely from contributions by the interested public. Disbursements are for equipment, coaching clinic expense, instructors, movies, secretarial salaries, and general office and operating expenses.

Membership is available to any interested person, but income may not inure to the benefit of any private individual. In the event of dissolution, all assets of the organization are to go to a religious, charitable, or other organization of the type described in section 501(c)(3) and exempt under section 501(a) of the Code.

Section 501(c)(3) of the Code provides for the exemption of corporations and foundations organized and operated exclusively for charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations

provides that the term 'charitable' includes lessening of the burdens of Government and combatting community deterioration and juvenile delinquency.

Section 1.501(c)(3)-1(d)(3) of the regulations, in defining the term 'educational' as used in section 501(c)(3), states, in effect, that the term relates to the instruction or training of the individual for the purpose of improving or developing his capabilities.

In the instant case, the organization was formed to teach children a specific sport. In so doing, it provides free instruction, equipment, and the facilities necessary to carry out its program. All children of the community may participate provided they are physically able and have reached the age commensurate with participation in such sport.

In carrying out the purposes for which the organization was formed, it is, in effect, instructing individuals (children) for the purpose of developing their capabilities through a personally taught course of instruction relating to a particular sport. Further, in addition to furnishing its instruction, equipment, and facilities free of charge to children of the community, it is serving a recognized public purpose in combatting juvenile delinquency and thereby lessening the burden of government, each of which is recognized as a charitable activity.

Accordingly, it is held that the instant organization is charitable and educational within the meaning of section 501(c)(3) of the Code and is entitled to exemption from Federal income tax.

An organization may not consider itself exempt merely because it falls within the scope of this Revenue Ruling. In order to establish its exemption under section 501(c)(3), it is necessary to file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(c)-1 of the Income Tax Regulations.